



March 19, 2010

Dear Representative:

On behalf of the **National Federation of Independent Business (NFIB)**, the nation's leading small business association, I am writing in opposition to the Patient Protection and Affordable Care Act (H.R. 3590). This legislation threatens our economic recovery by leaving small businesses grappling with higher health insurance costs and increased taxes. Similarly, the Reconciliation Act of 2010 (H.R. 4872), further jeopardizes the economic recovery and creates an even more damaging economic reality for our nation's job creators. **NFIB will key vote NO on H.R. 3590**, whether considered separately or as a procedural motion that "deems" it passed. **NFIB will also key vote NO on final passage of H.R. 4872**.

Small business has been struggling with rising healthcare costs for decades, and our members need help now. But H.R. 3590 and H.R. 4872 are not the answer – they compound current problems and make healthcare even more expensive for small businesses. Costing nearly a trillion dollars, these bills will send health insurance costs soaring, increase the cost of doing business and set our economic recovery backward with destructive policies including:

The Patient Protection and Affordable Care Act (H.R. 3590)

A tax on small business health insurance plans

Portrayed as a "fee" on health insurers, this tax is actually a tax on small business. Analysis provided by the Congressional Budget Office (CBO) confirms that these costs will ultimately be passed on to consumers. As a result of the Manager's Amendment to H.R. 3590, the legislation exempts self-insured businesses and select not-for-profit insurers – corporations and labor unions. These exemptions are a devastating blow to small business, because they will be forced to bear the brunt of this tax in the form of significant premium increases in the fully-insured market.

A poorly-structured tax credit with limited value

The most frequently cited small business provision in the legislation is a small business tax credit, but it will do little to make purchasing insurance affordable for more small firms. Based on an earlier CBO estimate, approximately 12 percent of the small business population would benefit. Although the credit is designed to offset the cost of insurance, its "savings" potential is merely temporary since it expires after five years (and is even shorter if you do not enter the exchange in the third year). So for all but a few small businesses that would temporarily benefit, H.R. 3590 will increase insurance costs for small business.

Targeting small construction firms with a destructive new mandate

With job loss at historically high levels (27 percent in the construction industry alone), this employer mandate arbitrarily singles out an already struggling industry. Any company in the "construction industry" (which is NOT defined in the legislation) with more than 5 employees and a payroll of more than \$250,000 is mandated to provide government-approved health insurance or pay expensive penalties.

An unprecedented increase in Medicare payroll tax

The bill adds a new tax on income over \$200,000 for individuals (\$250,000 for joint filers). Adding to the problem, wages are not indexed for inflation, meaning that more small businesses will face this tax increase each year. Since the majority of small business owners pay their taxes at the individual level,

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this tax will hit the business income of many small business owners. *The businesses most likely to see the tax increase are those that employ between 20 to 200 workers. These businesses account for more than one-quarter of the American workforce.*

An oppressive new paperwork mandate on small business

H.R. 3590 imposes a new IRS paperwork burden on small businesses, mandating that small business owners report every transaction over \$600 to the federal government. Small business owners already spend on average \$74.24 per hour on paperwork associated with tax compliance, and this provision drives the cost of doing business even higher.

The Reconciliation Act of 2010 (H.R. 4872)

Threatens the viability of America's part-time workforce

The Reconciliation Act requires employers to count both part-time and full-time employees when determining whether or not they will be subject to the employer mandate. An employer mandate of any kind, whether to provide or to calculate for purposes of determining penalties, will result in a direct and chilling effect on the hiring of part-time employees. The result is that an employer will be less likely to hire part-time employees and is the opposite policy direction that we need to create jobs.

An employer mandate with higher penalties that punishes employers offering coverage

The bill puts an even higher price tag on an already devastating new employer mandate. The mandate forces employers to offer a government-approved level of coverage or be subject to new and punitive penalties. In the Senate bill, those penalties started at \$750 per employee. The reconciliation package increases the penalty to \$2,000 per employee. To add insult to injury, even if an employer is already providing coverage, they will be subject to the penalty if the government "deems" their plan to be "unaffordable." This means that regardless of whether you did or did not offer coverage, you could be fined.

An unprecedented new tax on investment income

The reconciliation bill imposes a new tax on investments such as property or interest on a bank account. Under the proposed reconciliation package, starting in 2013, individuals with incomes above \$200,000 (\$250,000 for married couples) will have a new, 3.8 percent tax applied to their income from interest, dividends, capital gains, and some profits from investments in partnerships and S corporations. This provision, along with other tax increases in the reconciliation bill, will lead to dramatically higher marginal tax rates and less capital, resulting in less investment and job creation.

Despite claims that these two bills are better alternatives than the previously passed House legislation, make no mistake, the price tag is still too high for America's job creators. Because both H.R. 3590 and H.R. 4872 will not lower healthcare costs and increase the cost of doing business, **NFIB will key vote against H.R. 3590 or any rule that "deems" its passage, and also against H.R. 4872. Both will be considered as NFIB KEY VOTES FOR THE 111th Congress.**

Sincerely,



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